

IN THE UNITED STATES DISTRICT COURT  
FOR THE DISTRICT OF NEW MEXICO

SECURITIES AND EXCHANGE COMMISSION,

Plaintiff,

vs.

Case Number: 1:12-cv-00257-JB-LFG

LARRY GOLDSTONE, CLARENCE G. SIMMONS,  
III, and JANE E. STARRETT,

Defendants.

**DEFENDANTS LARRY GOLDSTONE AND CLARENCE G. SIMMONS'S RESPONSE  
TO PLAINTIFF'S WITHDRAWAL OF RELIANCE ON CITED AUTHORITY**

Plaintiff's Withdrawal of Reliance on Cited Authority [Doc. #72] disavowed its prior reliance on *In re General Electric Company Securities Litigation* ("GE"), No. 09 Civ. 1951, 2012 WL 90191 (S.D.N.Y. Jan. 11, 2012), because the court determined, on reconsideration, that an October 1, 2008 statement by Jeffrey Immelt about GE "successfully" meeting "commercial paper needs" was an actionable opinion, reasoning that the complaint lacked allegations that Immelt "disbelieved [the statement] at the time he expressed it." *See In re General Electric Company Securities Litigation*, No. 09 Civ. 1951, 2012 WL 1371016, at \*9 (S.D.N.Y. Apr. 18, 2012). Rather than simply withdraw its reliance, however, Plaintiff attempts to make substantive arguments about the later opinion. Defendants file this response to dispel any misunderstandings created by Plaintiff's initial reliance on an overruled case.

First, *GE* reversed its previous denial of the defendants' Rule 12(b)(6) motion despite particularized factual allegations that (a) Immelt admitted privately to Treasury Secretary Paulson in September 2008 that "GE was having difficulty issuing commercial paper for terms longer than overnight," and (b) "the commercial paper markets were 'frozen' as of September

25, 2008.” 2012 WL 90191 at \*16. These allegations were held facially insufficient to satisfy the subjective falsity requirement. 2012 WL 1371016 at \*9.

This reasoning demonstrates that the SEC cannot plead subjective falsity merely by alleging facts that “undermine” an opinion’s reasonableness. *GE*, 2012 WL 90191, at \*33. Here, as in *GE*, the Complaint alleges nothing more than a laundry list of contentions that Plaintiff claims undercut the wisdom of Defendants’ OTTI judgment (¶¶ 33-38, 49-52, 69). They do not establish subjective falsity.

Second, *GE* acknowledged the importance of evaluating opinion statements “in context.” 2012 WL 1371016, at \*10. Specifically noting GE’s risk warnings about “market disruption and volatility,” the court concluded that GE’s statement that the commercial paper markets might not “continue to be a reliable source of short-term financing” was an opinion which was not alleged to be subjectively false and which “in context [was] not misleading.” *Id.* This is analogous to the extensive risk disclosures and explanation of the basis for the OTTI judgment in Thornburg’s 10-K. Considered in this context, Defendants’ OTTI judgment cannot be considered misleading.

Dated: September 21, 2012

Respectfully submitted,

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 /s/ Randall R. Lee  
 Randall R. Lee  
 Jessica F. Kurzban  
 P. Patty Li  
 WILMER CUTLER PICKERING HALE and DORR LLP  
 350 S. Grand Avenue, Suite 2100  
 Los Angeles, CA 90071  
 Telephone: (213) 443-5300  
 Facsimile: (213) 443-5400  
 randall.lee@wilmerhale.com  
 jessica.kurzban@wilmerhale.com  
 patty.li@wilmerhale.com

John A. Valentine  
WILMER CUTLER PICKERING HALE and DORR LLP  
1875 Pennsylvania Avenue, NW  
Washington, DC 20006  
Telephone: (202) 663-6000  
Facsimile: (202) 663-6363  
john.valentine@wilmerhale.com

Alanna Buchanan  
Joel Fleming  
WILMER CUTLER PICKERING HALE and DORR LLP  
950 Page Mill Road  
Palo Alto, CA 94304  
Telephone: (650) 858-6000  
Facsimile: (650) 858-6100  
alanna.buchanan@wilmerhale.com  
joel.fleming@wilmerhale.com

-and-

Bruce Hall  
Andrew G. Schultz  
RODEY, DICKASON, SLOAN, AKIN & ROBB, P.A.  
P. O. Box 1888  
Albuquerque, NM 87103  
Telephone: (505) 765-5900  
Facsimile: (505) 768-7395  
bhall@rodey.com  
aschultz@rodey.com

*Attorneys for Defendants Larry Goldstone and Clarence G. Simmons, III*

**CERTIFICATE OF SERVICE**

The undersigned hereby certifies that on September 21, 2012, the foregoing *Response to Plaintiff's Withdrawal of Reliance on Cited Authority* was electronically filed with the Clerk of Court using the CM/ECF system that will send notification of such filing to all counsel of record:

Michael H. Hoses  
Assistant United States Attorney  
P.O. Box 607  
Albuquerque, NM 87103  
Michael.hoses@usdoj.gov

Stephen C. McKenna  
Gregory Kasper  
Securities & Exchange Commission  
1801 California Street, Suite 1500  
Denver, CO 80202  
mckennas@sec.gov  
kasperg@sec.gov

MILBANK, TWEED, HADLEY &  
MCCOY LLP  
Thomas A. Arena  
1 Chase Manhattan Plaza  
New York, NY 10005  
Telephone: (212) 530-5000  
Facsimile: (212) 530-5219  
tarena@milbank.com

MILBANK, TWEED, HADLEY &  
MCCOY LLP  
Jerry L. Marks  
Robert J. Liubicic  
Alisa Schlesinger  
Elena Kilberg  
Paul M. Torres  
601 S. Figueroa Street, 30<sup>th</sup> Floor  
Los Angeles, CA 90017  
Telephone: (213) 892-4000  
Facsimile: (213) 629-5063  
jmarks@milbank.com  
rliubicic@milbank.com  
aschlesinger@milbank.com  
ekilberg@milbank.com

WILMER CUTLER PICKERING HALE AND  
DORR LLP.

By /s/ Alanna Buchanan  
Alanna Buchanan  
950 Page Mill Road  
Palo Alto, CA 94304  
E-mail: alanna.buchanan@wilmerhale.com

Attorneys for Defendants Larry Goldstone and  
Clarence G. Simmons, III